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DAILY BRIEF

I. THE COMMUNIST BLOC

Communist China: Peiping insists that the US cannot "evade" the 15-day time limit set by the Chinese Communists in their note of 30 June demanding resumption of Sino-American ambassadorial talks. The Chinese have been careful, however, to avoid outright rejection of American suggestions of willingness to resume the talks at Warsaw.

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II. ASIA-AFRICA

Watch Committee conclusion--Middle East: No political or military solution to the Lebanese crisis is in sight.

Rebel military activity has been opposed by somewhat stronger army actions than previously. If current political efforts fail to achieve an acceptable solution and fighting intensifies, Chamoun will probably call for more extensive UN assistance

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or may request intervention by Western or friendly neighboring governments under the provisions of Article 51 of the UN Charter.

There is no evidence of Soviet bloc, UAR, or Israeli intention to intervene with regular military forces.

Elsewhere in the Middle East a deliberate initiation of hostilities is unlikely; however, serious incidents may occur.

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The Watch Committee did not issue a separate conclusion on North Africa.

India: Prime Minister Nehru and his principal deputy in public statements on 2 and 3 July deplored the execution of former Hungarian Premier Nagy in the strongest terms they have yet applied to bloc affairs. Nehru's "shocked" reaction reflects the disappointment of his hopes that recent trends toward liberalization within the bloc would lead to a reduction of cold war tensions.

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Indonesia: Army chief Nasution's personal spokesman believes announcement of Dutch plans to reinforce the garrison in West New Guinea is aimed at exacerbating US-Indonesian relations. Raising the West New Guinea issue at this time, he said, would force anti-Communist Indonesian elements to join the Communists in opposing the Dutch move.

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Watch Committee conclusion--Indonesia: Soviet bloc aid to Indonesia continues; however, there are no developments indicating a Sino-Soviet bloc intention to become directly involved in military operations in Indonesia. The situation

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continues to favor local Communist and Sino-Soviet bloc exploitation. [REDACTED]

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III. THE WEST

No
Canada: The cabinet is reviewing its policy of nonrecognition of Communist China. Although an early reversal is not likely, the Conservative government is under some pressure from commercial interests which are increasingly enthusiastic about trade prospects with the Chinese Communists. [REDACTED]

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

National Intelligence Estimate No. 75-58. Conditions and trends in French Tropical Africa. 17 June 1958. [REDACTED]

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I. THE COMMUNIST BLOC

Peiping Demands "Explicit" US Reply to Call For Ambassadorial Talks

Peiping insists that the US cannot "evade" the 15-day time limit set by the Chinese Communists in their note of 30 June demanding resumption of Sino-American ambassadorial talks. The Chinese have been careful, however, to avoid outright rejection of American suggestions of willingness to resume the talks at Warsaw.

Peiping asserts it will press this issue in order to get "explicit" acceptance or rejection of its demand. If the talks are resumed, Peiping will probably use them in new efforts to win greater concessions, chiefly a foreign ministers' meeting on Sino-American issues and economic and cultural exchanges. Peiping may be counting on current concern for American captives abroad to increase pressure on Washington for a resumption of the talks. In speaking of the four Americans still in Chinese jails, the authoritative People's Daily on 3 July declared "there can be no question of their returning home before their terms are up"--ranging from 15 years to life.

It is conceivable, however, that Peiping now may be unwilling to resume the talks, and that its propaganda is concerned chiefly with placing the onus for their suspension on the US. The American consul general in Hong Kong suggests the Chinese may have decided to break off the talks, perhaps because they showed scant sign of being productive for Peiping; or possibly because continued ambassadorial contacts would make it difficult to introduce Sino-American issues at any summit meeting.

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Reaction of Indian Leaders to Hungarian Executions

The public statements made on 2 and 3 July by Prime Minister Nehru and Home Minister Pant deploring the execution of Imre Nagy constitute the strongest criticism yet expressed by top Indian officials of Soviet bloc actions.

Pant, who also acts as deputy prime minister, told a mass meeting on 2 July that the "murder" of Nagy was the result of a resurrection of Stalinism in the Communist world. Referring to countries which were "taking back" the freedom they had given their people, Pant charged that the urge for independence in Hungary and Poland had been thwarted.

In a press conference on 3 July, amplifying his earlier comment of 23 June that the Nagy execution was "most distressing news, both in itself and in its possible consequences," Nehru stated that he was "shocked and worried." While hoping the "process will not continue," Nehru added that it would be unfortunate if the executions were used as a reason for ruling out a summit conference.

Official Indian reaction to recent bloc developments was accurately reflected in an article by the Congress party general secretary in the July issue of the party organ. Commenting that the recent trend toward liberalization in Communist countries had raised hopes of far-reaching changes in Communist methods, the author noted that the old techniques of violence, hatred, and terror were now being revived.

Coming on the heels of the attack by Moscow and Peiping against Tito, whose position was defended by Nehru in May, the Hungarian executions have further alienated Indian good will toward the bloc. However, Nehru is likely to continue to refrain from taking a more positive stand, in the interest of promoting his main objective of an East-West rapprochement.

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Indonesians Claim Dutch New Guinea Policy Aids Communists

Indonesian army intelligence chief Lt. Col. Sukendro has told American service attachés that the Dutch announcement on 30 June of intended troop movements to West New Guinea plays into the hands of the Indonesian Communists. He says anti-Communist Indonesian elements now will have to unite with the Communists to oppose the move. Sukendro claims Indonesia has neither the intention nor the capability to attack "West Irian" since it is confident that it will eventually obtain the area by peaceful means. In his opinion the Dutch are deliberately bringing up the New Guinea issue to exacerbate US-Indonesian relations.

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The Hague's decision to send token reinforcements to its New Guinea, garrison is primarily intended as a general re-assertion of its claim to the area. The Dutch are skeptical of the success of efforts to persuade President Sukarno to limit Communist influence in Indonesia, and they probably fear that such efforts may eventually involve some weakening of Western support for the Netherlands' claim.

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III. THE WEST

Canada Reviewing Recognition of Communist China

The Canadian cabinet is "rescrutinizing" its policy of nonrecognition of Communist China, according to Ambassador Merchant. He considers it improbable, however, that the Diefenbaker government will reverse its policy at this time and adds that the under secretary of external affairs has informed him privately that he shares this view.

Ottawa has periodically reviewed the recognition question. It was considered a year ago, shortly after the first Diefenbaker government took office. The prime minister's public statement last November opposing the recognition of Peiping suggested a stronger stand than that taken by the previous Liberal government, which insisted that it favored eventual recognition.

Commercial interests, however, have recently become increasingly enthusiastic about the prospects of trade with the Chinese Communists. The government has encouraged this attitude because of its desire to reduce Canada's trade imbalance with the United States. Trade missions have been exchanged and the Chinese Communists have intimated that trade can be expanded, particularly if strategic trade controls are relaxed. Because of this interest, and in view of the Canadian recession and heavy unemployment, the government now may be under somewhat more pressure than previously to change its diplomatic policy toward China. The refusal of a United States automobile company to permit a Canadian subsidiary to export cars to China caused considerable public indignation.

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